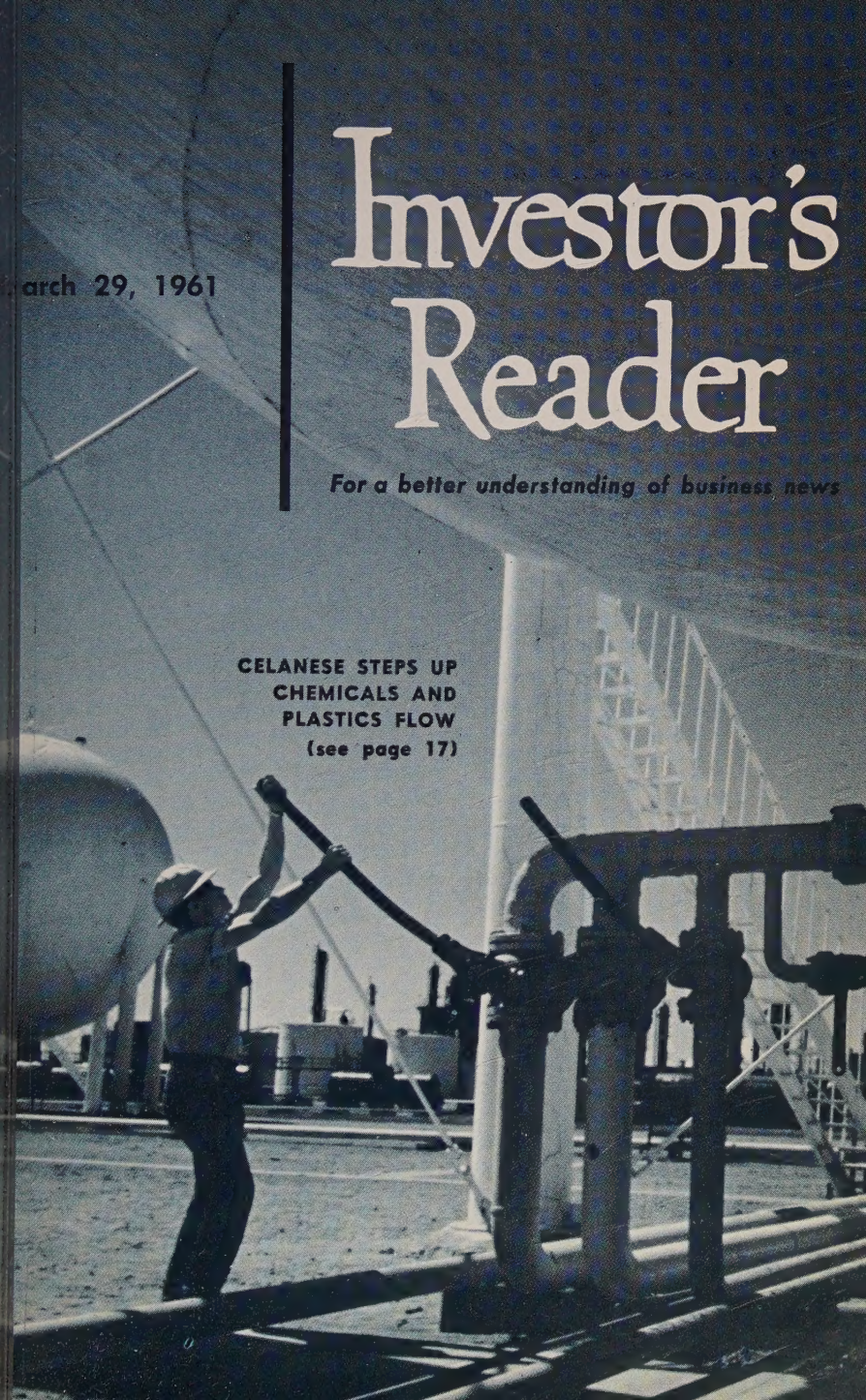


March 29, 1961

Investor's Reader

For a better understanding of business news

**CELANESE STEPS UP
CHEMICALS AND
PLASTICS FLOW**
(see page 17)



COLONIAL DAME

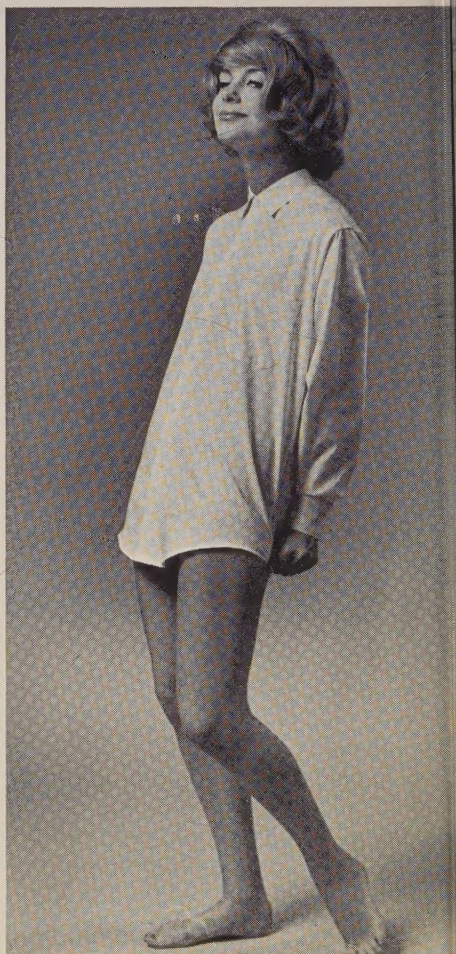
As outstanding evidence that all you need is a good shirt if you are otherwise well-tailored is this coy and lissome miss who sports a new model from the line of man-tailored shirts turned out by sportswear manufacturer Colonial Corp of America.

Colonial makes more than 30,000,000 shirts a year. Most of its customers are men and boys who snap up the company's economically priced (99¢ to \$2.99) sports and dress shirts in chain and variety stores all over the country. Soon Colonial will resume manufacturing pajamas. It had abandoned them temporarily in 1959 when shirt demand began to overtax its facilities. Since then the company has increased capacity at each of its plants.

Colonial has shown steady growth. Since 1954 sales have more than tripled to last year's \$20,201,000. Profits for the same period expanded to \$1,208,000 or \$1.31 a share in 1960 from 18¢ in 1954.

Colonial was founded in 1945 by current chairman and president Sol Berger who heads a staff of only eight salesmen. They display and sell their wares to buyers in a sidewalk-level office across from the Empire State Building. Four of Colonial's factories are located in Tennessee and one in Jamaica, BWI. All five of them which employ a total of 3,500 workers were built by industry-hungry local governments who rent them to Colonial. Colonial however owns the machines.

There are 998,000 shares of Colonial common outstanding, 64% of them owned by the Berger family, 13% by investment funds and 3% by officers and directors; this leaves only 20% to trade thinly on the American Stock Exchange where it commands a hefty price of almost 30 compared to a 1960-61 low of 14.



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Investor's Reader

No 7, Vol 36

March 29, 1961

Boom in Busted Mergers

Many Proposals Founder on Government Frowns, Disputes On Stock Terms, Personnel

MERGERS and talk of mergers abound these days. Despite recession, the Federal Trade Commission counted 1,012 corporate marriage proposals last year. This was within 4% of the postwar high of 1,050 mergers in 1959 and way above the 899 reported in 1958.

The pace has not slackened. Most every business day brings news of a handful of new combinations. Recent moves range from the proposed union of two well-established Big Boarders like National Distillers and Bridgeport Brass to the proposed takeover of \$1,500,000-volume (in 1960) Western Hydraulic & Service by \$16,000,000-volume Hathaway Instruments.

But freely interspersed amid the persistent peal of corporate wedding bells are the discordant notes of broken engagements. One promi-

nent example: Warner-Lambert last month stopped short of the altar for the second time in little more than two years when negotiations with Minnesota Mining & Manufacturing foundered; a proposed merger with R J Reynolds Tobacco had fallen through in late 1958. Earlier this month chairman Joseph M Safie of apparel producer Reliance Manufacturing confirmed holding "preliminary talks" with one or more large apparel manufacturers, the next day singled out Jonathan Logan but by the following morning "problems" had terminated the Logan talks with "no likelihood they will be resumed." Other samples of busted mergers can be cited by the dozen.

The swollen abandoned-merger list to some extent simply reflects the fact more merger negotiations come to public attention these days—and at a far earlier stage. In the colorful phrase of one Wall Streeter, "two companies need only be seen

waving to each other across the street for someone to rush and publish the banns." In part this stems from the more intense financial news coverage which has accompanied the spread of investor consciousness; in part from the Big Board's increasingly firm policy that listed companies must immediately reveal any news which might affect their stocks.

Abandonment of mergers may take place at any stage. Talks may have been "purely exploratory" as in the case of Lee Rubber and Mohawk Rubber last Fall. In fact Lee thought announcement of any talks at all was "untimely and premature."

At times directors reached a preliminary understanding, in other cases full details of the exchange were worked out. In a few instances the stockholders themselves formally approved the merger before it was called off. Thus in December stockholders of CWS Waveguide and Megadyne Electronics voted for the union but "changed conditions in both firms * * * influenced the respective boards of directors not to proceed." United Whelan even had a "trial merger" during which it managed Philadelphia drug chain Consolidated Sun Ray before finding the two "could not agree on details" last Summer.

Especially in larger mergers one major influence is the US Government with antitrust actions by either the Justice Department or the FTC. The Government's power has been considerably strengthened by the 1950 amendments to Section 7 of the Clayton Act which now bars either stock or assets acquisitions if the

effect "may be substantially to lessen competition or to tend to create a monopoly." This is exactly what Federal District Judge Edward Weinfeld thought might happen "in each of the relevant markets" if Bethlehem Steel were permitted to merge with Youngstown Sheet & Tube. Hence he enjoined the two steelmakers in a far-reaching decision late in 1958.

Bethlehem-Youngstown is the only major "Section 7" case to date stopped by outright court injunction. However Brown Shoe was permitted to merge with G R Kinney only conditionally and presumably must disavow it unless the Supreme Court next Fall reverses the lower tribunal's decision. Most of the other Government actions seek to undo mergers already effected and, except for some consent rulings, have not been finally settled.

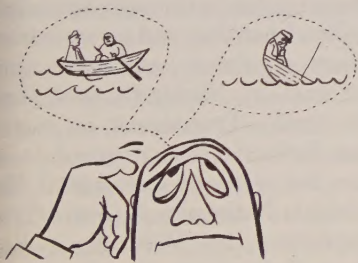
Government Impact

But the impact of these cases is severe. The threat of active Government opposition may deter many companies which feel even a legal victory would prove too costly in time as well as money. Warner-Lambert and 3M stated this as a chief reason for discontinuing their merger talk though most observers feel other factors played a larger role.

Except in cases of Government blockage, the true reasons for busted mergers are often impossible to ascertain—or are given only on pledge of strict anonymity. The basic problem is usually "failure to agree on terms." Companies obviously tend to have widely differing ideas of the value of their stock and the relative emphasis to be placed on market

price, assets, earnings record, potential earnings, etc. The problem is sometimes complicated when the very news of merger talks drives the stock of a company up substantially and thus makes it less attractive to the potential acquirer.

Another major stumbling block is management. Companies may have disagreements about future policies and organization setups to follow. But particularly sensitive is the question of job allocations for the top brass. This tends to lessen in times of recession or when a merging company itself is hard pressed. Wrote Bob Bedingfield of the *New York Times*: "In stormy weather a president may decide it's better to be first mate on a floating ship than captain of a sunken one. Usually however, as soon as the sun comes out and the waves subside, the flexibility vanishes."



Sometimes the "technical considerations" cited for merger-blocking are truly that. One retailer explains the indenture provisions on his company's insurance loan prohibited any subsidiaries with debt of their own. The proposed union was with a company in another branch of retailing which had a well-financed credit subsidiary.

Another executive reports: "The day we were to sign final papers, the other president dropped dead. By the time the new president settled down, conditions had changed too much."

Conditions which change between first nod and final vote break many engagements. Or conditions were never really what they seemed to an eager merger-seeker. After a closer look, one or both of the prospective partners may decide the deal is not as attractive as it seemed. Says one merger expert: "Often there's no fundamental economic reason for the merger in the first place. A lot of companies just like to grow larger so they like to talk."

In addition, often "the seller will not allow a prospective buyer to make the kind of investigation he should until the terms are virtually set. Then an engineer's or auditor's report may show up problems which make the terms unrealistic."

Of course many companies—some for reasons of strength, some from weakness—are admittedly merger or acquisition-minded or else known to be in the market for someone to take them over. This may require discussions with a dozen companies (preferably in confidence) before one deal jells. Thus some names may repeatedly appear in the abandoned merger columns in addition to an occasional completed merger.

For instance Long Island electronics FXR Inc which is slated to join Amphenol-Borg in May had last Summer talked with Loral Electronics. Loral also had discussions with Sonotone which in turn had earlier

chatted with Thompson Ramo Wooldridge.

Studebaker-Packard which wants to acquire profitable companies able to use its huge tax loss carry forward has among others talked indecisively with Central Foundry and Fedders but closed deals with Gravely Tractors and Clark Floor Machine.

Sometimes a discarded merger may be resumed. Universal Match and Universal Controls had reached tentative terms in January but called the deal off "because of certain legal and technical problems," presumably including matters of management and stock control. Since then the Universal Controls chairman and president have left office and virtually the same terms proved acceptable in March.

Mergers may also founder on stockholder opposition. The proposed merger of oil equippers Dresser Industries and Reed Roller Bit was blocked in February by John Maher who had resigned the Reed presidency in November. But Maher and associates added substantially to their holdings (largely purchased from Maher's successor as president and other directors) and after blocking the merger, Maher returned to the presidency with a friendly board.

Even greater efforts at merger blocking may be engendered by "take-over" attempts over objections by the acquisition candidate's management. Ex-miner Glen Alden tried to take over upstate New York's shoemaker Endicott Johnson but was forced to bow to a community crusade and sold its shares to the Endicott employees pension fund.

Ling-Temco wants control of fellow Dallasite Chance Vought Aircraft which the latter's management is trying to block through a private antitrust suit and a possible protracted fight. Fruit of the Loom has been fought over by Bates Manufacturing and Philadelphia & Reading until Bates, beset by a variety of court actions, withdrew last week.



Aside from such free-for-alls in the industrial sphere, there are also merger fights in the more specialized fields of banking and transportation where regulatory authorities have the final say. Within the past month the Justice Department in a startling flash of activity moved to enjoin the proposed marriage of Philadelphia National and Girard Trust, acquisition by Milwaukee's Bank Stock Corp of two local banks and even the scheduled merger of the relatively small Lexington, Ky pair of First National and Security Trust. All had previously been approved by either Currency Comptroller Ray Gidney or the Federal Reserve.

Meantime the lowest New York court two weeks ago knocked out the State's year-old liberalized branching law (which opened the suburbs

to Manhattan banks) on a technicality. The legislature has been asked to correct the alleged defects but Arthur Roth of Franklin National, vigorously fighting to maintain his bank's dominance in Nassau County and shield it from Big City competition, will no doubt renew his court attacks and at least prolong the uncertainties. This in turn may have some influence (even though no direct legal impact) on the State or Federal regulators who must OK the merger of Manufacturers Trust and Hanover Bank, the plan of Bankers Trust and County Trust for a City-Westchester holding company, the planned merger of First National City with National of Westchester and Morgan Guaranty's proposed holding company union with six upstate banks.

Transportation Line

Unlike banks, the official Washington line in transportation appears to be to foster judicious mergers. United Air Lines is being permitted to take over Capital to save it from otherwise inevitable foreclosure. But the proposed merger of Northeast into TWA has slumbered on the TWA directors' table for the last ten months. The question is whether the new non-Hughes TWA management is interested.

The real merger push is of course on the rails. But after the first flush of excitement when the prosperous Norfolk & Western and Virginian were permitted to hook up in 1959 and the decidedly nonprosperous Erie and Lackawanna last year, consummation of other major combinations may take time as laborious

studies, negotiations, ICC hearings and decisions click-clack along. However, several deals including Norfolk & Western-Nickel Plate-Wabash; Atlantic Coast Line-Seaboard and the Great Northern-Northern Pacific-Burlington are now before the Commission. So is the C&O plea to be permitted to accept stock control of B&O as a prelude to merger.

Some proposals may face internal opposition aside from the almost routine objections of unions and affected rival carriers. Thus a group of Chicago, Milwaukee, St Paul & Pacific directors two weeks ago warned against "too liberal" terms for the Chicago & North Western. Negotiations stalemated and were indefinitely suspended last week.

And out West where the Salt Lake-to-San Francisco Western Pacific is a prime merger candidate, a huge hassle is developing between the Southern Pacific and the Santa Fe. Both want to acquire Western and have bought substantial blocks of its stock. So have some of their allies. The ultimate decision will depend on which carrier or group gets the ICC nod.

In any event, here, as in many industrial merger cases, there are bound to be disappointed wooers. But also, both on the rails and in industry, there will be a great number of successful suitors as the merger trend continues. And in the best tradition of human and corporate life, most of the jilted group will soon collect themselves and dash off after a new object of affection—after which they conceivably may sometimes wish they had stayed single.

BUSINESS AT WORK

WALL STREET

From Sea to Shining Sea

WALL STREET'S relentless parade to Main Street received some amazing statistical certification this month. *The Wall Street Journal* announced it was starting its second California printing plant in Riverside near Los Angeles to supplement its 32-year-old San Francisco operation. The compelling reason: the *Journal* now sells more papers in California than in any of the other 49—notably including Wall Street's home state. September 30 figures showed 88,000 in the Golden State v 82,000 in New York.

ELECTRONICS

The Many Facets of Avnet

EXACTLY 40 years ago when the crystal set was the "it" of the communications world, Charles Avnet opened a small radio parts store on Manhattan's Lower East Side. He and his company are still in the communications world but both factory and format have changed.

Located in Westbury on Long Island, Avnet Electronics Corp today gleans about half its sales from assembling and processing electrical connectors. Through its extensive marketing organization it also distributes semiconductors, relays, transformers, splice boots and other components to the electronics, aircraft, missile and communications industries. As treasurer and director, Charles Avnet still keeps a firm hand on company policies though he has delegated the duties of president to

eldest son Lester and of chairman to second son Robert.

During the "exciting Twenties" 48-year-old Lester reminisces, business was so brisk "Dad had to move people out of the store bodily when we closed at 11 o'clock at night. I started helping him in the shop on Saturdays 36 years ago and went on to NYU for a year and a half. But the communications world was too exciting so I left."

Avnet expanded into auto antenna and tube radio kit manufacture in the Thirties, continued antenna production for the military during War II. Avnet took on its present-day character in 1944 when it began to distribute electrical connectors. Lester Avnet comments: "We tried to expedite service for defense manufacturers who had to wait for deliveries of necessary components. We would locate the components for them quickly. This was the beginning of our service philosophy which is now the foundation of our business."

Younger brother Robert entered the family business after War II. Soon after the Avnets took the first step in what Lester calls our "cradle-to-the-grave" service program which offers customers specialized assistance by Avnet's own carefully trained sales engineers.

About 50% of Avnet connector volume is Bendix pygmy connectors which Avnet has assembled and sold under contract from Bendix since 1952. These little gadgets which go into many defense & industrial prod-

ucts are the last item to be specified on engineering blueprints. Hence the timing of many a defense job depends on the speed of assembly of the "200,000 combinations of 70,000 varieties" of electrical connectors.

To accommodate its customers many of Avnet's 300 employees are trained to process and test individual connectors to meet delivery deadlines which can be less than 24 hours. Regarding assembly operations Lester Avnet comments: "We stress quality assurance. That's even better than quality control."

Nationwide Service

Another aid to speedy service is the company's eight service center facilities which are scattered strategically around the country to form "a national source of supply." Another will open in Phoenix "before too long." Components needed to fill an order can be obtained immediately from any one of these centers through an interconnected teletype system. The "locational" setup also eliminates regional slowdowns. President Lester Avnet states: "Have your bread basket where your manna falls from heaven."

While most of Avnet business is in connectors the company expanded its marketing activities last year when it landed distribution contracts from a host of semiconductor, relay and potentiometer makers—among them Sperry, US Semiconductor, CP Clare, Technology Instrument.

In December Avnet further diversified with the merger of hi-fi & stereo equipment importer British Industries Corp of Port Washington, Long Island. The 24-year-old im-

porter counts over 90% of its volume from sales of Garrard record changers, Wharfdale speakers, tool & die machinery and moderate-priced boats and boating equipment—all of which are made in Britain. Supplier Avnet says Wharfdale speakers are "doing so well I can't even get an order on them myself." British Industries also makes speaker cabinets and assembles loudspeakers.

British Industries also has the exclusive Western Hemisphere right to the Shaw process of precision casting of metals. It was acquired from inventors Noel & Clifford Shaw in 1955. The Shaw process uses ethyl silicate—"a sort of high-temperature glue" which withstands temperatures up to 3,000°F as a binding material for ceramic refractory molds. Though the high cost of ceramic molds limited its applications in the past, a "technological breakthrough

Pressure torching of Shaw molds



on the cost level" resulting from a worldwide licensee conference last October licked this problem.

British Industries currently has about 50 Shaw process licensees in North & South America ranging from the Government to Curtiss-Wright to Ideal Toy. The more accurate detail, finer tolerances and surfaces and the now lower cost of this process lead Avnet officials to feel that "in ten years—if we can still control it [through patents]—we will derive a royalty income from a substantial portion of the economy in this country." They have a way to go. Royalty fees brought in only \$215,000 for the company last year.

Regarding further acquisitions dynamic Lester Avnet states: "For a company our size we're loaded with cash [close to \$6,000,000] and are anxious to find companies that will fit into our plan." He adds: "Personally I am more interested in using our cash to buy earnings than to pay dividends. We have been discussing mergers and acquisitions but none is imminent."

Until two years ago Avnet remained a privately owned business. In May 1959 however the Avnets sold 75,000 shares and the company itself 100,000 new shares at \$5.75. The electronics supplier moved to the Amex within five months of the offering and after a 2-for-1 split last May it graduated to the Big Board in December. There are now 2,032,000 shares outstanding (45% controlled by the Avnet family). The rest is held by about 4,800 other stockholders including many Avnet employees, also 27 fifth graders at

the William L Buck School in Vauxhall Stream, Long Island who collectively own two shares of Avnet common. The stock currently sells at an all time high of 29, more than double its adjusted 1960 low.

For the year ended last June, Avnet boosted sales 45% over 1959 to a record \$9,270,000. Earnings rose to \$1,014,000 or 67¢ a share from \$768,000 (55¢). Calculated per share to include British Industries sales amounted to \$15,800,000 while profits totaled \$1,400,000 or 74¢ a share. In the current fiscal year first half (December) sales rose 1% to \$8,900,000. Due to startup costs of new plants profits slipped 3¢ to 36¢.

So far in the second half president Avnet reveals sales for January and February are up 32% and new orders up 40%. He predicts: "I'm pretty sure we'll end this fiscal year with sales between \$18,500,000 and \$19,000,000 and earnings between 74¢ and 85¢ despite heavy non-recurring expenses and bad weather this Winter."

FINANCE

New Bonds for Old

QUARTER BILLION bond issues are a virtually unheard-of phenomenon. That is, unless you are the American Telephone & Telegraph Company in which case you've floated no less than five such loans in the past seven years to finance your vast expansion.

Last week AT&T directors voted to take competitive bids in June for yet another \$250,000,000 of debentures. This time the purpose is not to raise new money but to refund a

similar-sized issue floated in the high-interest days of late 1959: the 5 $\frac{3}{8}$ s due in 1986.

Present market prices of comparable corporate bonds suggest a coupon of around 4 $\frac{1}{2}$ % for the new issue. AT&T will have to pay a hefty premium to redeem the outstanding bonds (107 $\frac{3}{4}$ % of face value or \$19,375,000 for the full issue) and pay underwriting expenses for the new offering. Against these costs, AT&T stands to make annual interest savings (assuming a 4 $\frac{1}{2}$ % issue) of \$2,187,500 for the next 25 years.

The Bell System forms the nation's largest group of corporate borrowers and is always alert for such opportunities. In fact three Bell companies had already launched refunding moves of their own before parent AT&T's action. New England Telephone is slated to issue \$45,000,000 of bonds in the next few days to refinance an issue of 5 $\frac{3}{4}$ % bonds sold only 18 months earlier.

Southern Bell Telephone was slated last week to offer \$70,000,000 of bonds to refinance its 5 $\frac{1}{2}$ s of 1994. And Bell Telephone of Pennsylvania early next month will offer \$50,000,000 of new bonds with \$30,000,000 of the proceeds going to refund its 5 $\frac{3}{8}$ s of 1994.

There are a number of other issues considered refinancing candidates by Wall Streeters. Among them: Dallas Power & Light's first 5 $\frac{1}{4}$ s of 1989 and Texas Eastern Transmission's first 5 $\frac{5}{8}$ s of 1978.

The move towards refinancing has been stimulated by the recent lowering of interest rates. Moody's index of newly issued corporate bonds

showed a yield of 4.32% at the end of February v 4.72% the end of November and 5.17% the end of 1959.

Since a company forced to market a bond during high-interest times will be eager to refinance once rates go down again, the long-term investor frequently finds it attractive to buy bonds with restrictions against early redemption. Two high-yielding blue chips with such features: AT&T's \$250,000,000 issue of 5s of 1983, sold in 1957 but not callable until November 1962; and Republic Steel's \$125,000,000 issue of 4 $\frac{3}{8}$ s of 1985, non-refundable to September 1965.

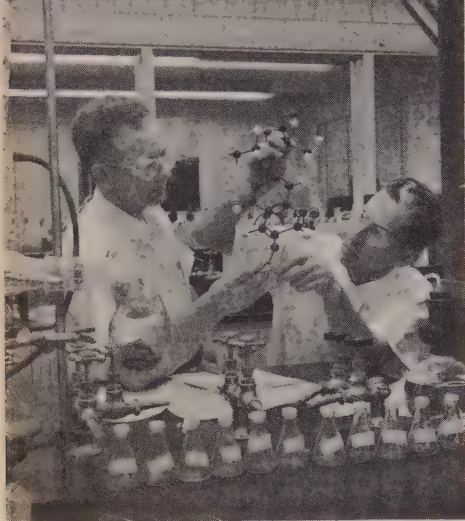
Companies refinancing at this time will be able to appraise their current wisdom a year from now. If, as many predict, business should pick up in the second half of 1961, corporate borrowing would probably increase, forcing interest rates upwards and forestalling further opportunities for profitable refinancing. Says a bond man: "If they plan to refinance, they should act with reasonable speed."

DRUGS

Searle Scoop

SAVE FOR its motion sickness drug Dramamine and ulcer treatments Banthine and Pro-Banthine, most of the drugs produced by G D Searle & Company of Skokie, Ill have been relatively unfamiliar to the layman though well known to the nation's physicians. This is because Searle limits its production to a small number (generally no more than two dozen) of ethical pharmaceuticals.

Such was not always the case. Af-



Searle scientists in action

ter its founding in 1883 the company jumped into manufacture of several hundred standard pharmaceutical preparations. In 1933 however Searle did an about face. Realizing the importance of research it began to concentrate on a few specialties. The research was slated mostly toward geriatric needs.

Following this formula, Searle has remained very small—but very profitable. Over the last decade profit margins have averaged 21%, among the best in the industry. Last year the company tallied sales of \$36,900,000 for a 7% gain over 1959 while profits pushed to \$7,460,000 or \$1.69 a share from \$1.65. President John G Searle conceded in the annual report: "The increase in net income was modest and was less than might be anticipated from our * * * sales increase."

One reason was the high manufacturing costs on Aldactone which Searle added to its diuretics line in late 1959. John Searle notes: "We're

working like mad to cut these costs. Just released is Aldactazide, a combination of Aldactone and thiazide chlorothiazide which should further broaden Searle's position in diuretics. Other Searle diuretics include Rolicton and Mincard.

Another factor which tended to limit Searle profits was the consolidation of the company's Puerto Rican chemical operations at the Mexico City plant. The chemical operations are handled by Root Chemicals which Searle bought in 1958 to obtain a raw material source for steroid chemicals.

A third cost factor was the closing of the company's Eastern and Western branch offices. This was done under the theory that "modern transportation methods enable prompt deliveries anywhere in the United States."

Though costs were high, Searle did not stint on research expenses which totaled 7% more than in 1959. Searle does not publish its research budget since "we don't see anything to be gained by it." But it is generally considered to be among the proportionately highest in the industry. The Searle motto is "Research in the Service of Medicine."

Birth Control Bid

One of the hottest items to come out of the Searle labs in recent years is Enovid. It was first introduced in 1958 as a treatment for menstrual disorders. Subsequent tests however proved Enovid to be extremely successful as a birth control agent.

In May Searle obtained an official OKay from the Federal Drug Administration to market Enovid as a con-

traceptive. The Planned Parenthood Federation added its psychological blessing shortly thereafter.

The one drawback to widespread use seemed to be its high cost—\$10 for a month's supply of pills. However recently Searle "broke through" with a dose half as potent and thus half as costly but which it proclaims equally effective. The new dose has also been approved by the FDA.

While undergoing tests for contraceptive use Enovid also showed some promise as a cancer preventative. Says John Searle: "We are following up this lead in our labs of course but it will be at least two years and probably more before we know anything."

Meantime Searle is promoting Enovid as a contraceptive through only the regular medical channels with detail men calling on doctors. John Searle reports "we have not stocked a great deal, only about \$100,000 worth which is normal for a new drug." However he does admit to having increased manufacturing facilities 40% to take care of future demand.

Enovid has undoubtedly captured the financial public's fancy. The 4,425,000 shares of Searle stock (51% held by the Searle family) have doubled in the last year. They now trade at an alltime high of 100 bid over-the-counter.

Besides Enovid, investors may well be bullish about a number of new Searle specialties awaiting FDA approval for commercial use. One particularly promising product is Flagyl, an ointment for treatment of difficult vaginal infections.

Despite his company's exciting new products the bespectacled Searle president remains extremely cautious about fiscal predictions. For the first quarter he says "we will do better than last year but not a great deal better." For the second which is as far into the current year as he will now go "we are hopeful for further gains." However for the annual meeting next month he noted: "Indications are that there will be some exciting information due to things that have already happened this year." One reason for his caution may be that while Searle is first on the market with an approved oral contraceptive, competitors Ortho and Syntex are in hot pursuit. Parke-Davis has yet to seek FDA approval for its Norlutin as a contraceptive (though doctors can write prescriptions for its use as one). And the Ortho and Syntex product has not received clearance as yet.

ATOMS

Nuclear Nucleus

LAATEST NEWCOMER and "the first fully integrated operation in the nuclear field" is \$25,000,000-assets United Nuclear Corp. Familiarly known as "UNC," it combines: 1) the nuclear fuel portion of the energy division of Olin Mathieson 2) the commercial part of Malinckrodt Chemical's nuclear division which specializes in converting AEC-supplied uranium hexafluoride into fuel elements and 3) Nuclear Development Corp, a Rockefeller-backed technologist whose very thin market for the few shares not closely held has already substantially dis-

counted the promise of future developments.

Olin president Stanley Osborne remarks: "The new company will provide a unit which will cover a broad spectrum in the nuclear field. Each company has carved out a special nuclear area. As a result there will be no overlapping in the new corporation but rather the most complete nuclear organization — from uranium on through to reclamation."

The company will do Government as well as commercial business. Its services will include research & development, reactor system design, manufacture of nuclear fuel materials, reactor and core fabrication, fuel management, cold scrap processing, isotopes and hot radiation energy sources. It will also provide hot core transportation, hot scrap reprocessing and hot waste disposal.

Olin will be a major shareholder with about 64% interest in the new company. In due course however the Olin chief says "our interest will be reduced to under 50%." He adds: "This is going to be a completely independent enterprise. We don't intend to impose our ideas." President of the new corporation will be former Olin vice president William C Foster.

Although hesitant to comment on the new company's sales prospects for this year, Stan Osborné is quick to note: "This very interesting little company is going to do far better than its components did as separate operations." Estimates indicate on a combined basis annual sales last year would have amounted to more than \$30,000,000.

MACHINERY

Babcock & Wilcox & Margins

IN THE PAST two years the Babcock & Wilcox Company has achieved the elusive goal of almost every concern—increasing profits on reduced sales. From the 1955 level of \$365,900,000 sales dipped 9% in 1959 and another 6% last year to \$311,000,000. B&W net income however rose from \$2.11 a share in 1958 to \$2.58 the next year and again to \$17,800,000 or \$2.88 a share in 1960, topping the previous record of 1957 when B&W netted \$16,460,000 or \$2.67 a share on sales of \$366,100,000.

Over half of the company's business is in cyclical steam generating equipment (utility, industrial and marine boilers and accessories). The next largest B&W division is specialty seamless and welded tubing which in some years has accounted for as much as 40% of the total. The remaining sales come from refractory products, power plant control equipment and meters, industrial closed circuit TV and soot blowers.

Financial vice president Alan H. Phin tells the improved B&W profit margin story. Using the boiler division as an example ("we have done the same type thing with the others") B&W has first of all "held out for reasonable prices." Outsiders say the company has consequently let the competition take some of the presumably less profitable business. Babcock & Wilcox together with Combustion Engineering has about four-fifths of the boiler business. Others in the field include Riley, Stoker and Foster Wheeler.

Vice president Phin continues: "We have cut out some expenses. There are expenses a lot of people think are fixed—but when you get right down to it, they can be moved a bit." Paramount was transferring 300 or so boiler division employees from New York headquarters to the main plant in Barberton, Ohio in 1958. The consolidation has resulted in "better co-ordination, reduced traveling expenses and fewer employees."

Thirdly B&W "has improved manufacturing operations by new methods and new equipment." One major installation: a \$14,000,000 highly automated steel mill for the tubular products division which began operation early last year. However the tube business follows the steel industry and "so far we have not had enough volume to use the mill effectively. There was some order pick-up

in January but it hasn't been long enough to establish a trend."

Orders for tubes and refractory products "are not received much in advance." On the other hand there is at least a one-and-a-half year lag between order and delivery of large boilers. Thus B&W's 1960 backlog of \$291,000,000, though down a bit from \$301,000,000 a year earlier, is large enough "to assure us of operating this year at a somewhat better rate" than in 1960. However Alan Phin concedes "utilities have not been ordering the new capacity we had expected by this time."

Utilities historically have doubled capacity every decade and industry men figure this rate of expansion will continue. In the past, steam generating equipment orders reached a peak every five years or so; in 1956 B&W's backlog hit a high of \$495,300,000. Alan Phin blames the

Workers install B&W refractory brick



current recession or "whatever you call it" for throwing the utilities off their cycle. He hopes for "some pick-up later this year."

Executive Phin estimated 1961 sales "as great or possibly greater than 1960. Our steam generating equipment is fairly certain, the rest depends on general business conditions." He adds: "I hope earnings will be a little bit better. We have not finished attempting to improve profit margins." One aid: B&W's atomic energy division while still in the red "is not the drag on earnings it once was."

Conservative Alan Phin was born in Hespeler, Ontario 64 years ago and became a chartered accountant. After he came to the US he joined B&W at the age of 30. The ruddy, friendly executive has been a vice president since 1947.

He refuses to discuss the possibilities of a dividend increase, notes in any case "the board of directors won't consider it until the October meeting." The rate was increased in the Fall of 1959, upped another nickel to 35¢ quarterly last November.

Alan Phin stresses: "I am optimistic but there are too many unknowns to make any firm predictions about the future. After all we're interested in selling boilers, tubing and refineries—not stock."

The 6,200,000 "BAW" shares have performed very well on their own. The stock now trades on the Big Board close to its 1960-61 high of 43½. This is 14 points above the low and only a little below the 47½ alltime high which was posted in boiler-booming 1956.

PAPER ScotTale

IN MARKED contrast to glum reports from most of industrial Pennsylvania the business news was bright at the Chester headquarters of Scott Paper Company. Led by familiar brands ScotTissue, Scotties, ScotTowels, Scotkins and Cut Rite, sales increased 5% to \$31,000,000 in 1960 while earnings jumped nearly 12% to \$27,700,000 or \$3.40 a share.

Last week's annual report climaxed a decade in which sales tripled and earnings quadrupled on the combined strength of acquisitions and internal expansion. The result is a fully integrated operation from timberland to toilet tissue and an extended list of new products. Among them: polyurethane compound ScotFoam which goes into apparel interliners and industrial filters, polyethylene food covering Wonder Wrap and sanitary napkins Confidets all of which have been added to the stand-by ream of household papers.

Some Headaches

The success has not been without headaches. At least one widely heralded new product of the past few years — "paper-fabric" Dura-Weave—is apparently in shreds. On the acquisition side, Scott's ownership of Soundview Pulp, Hollingsworth & Whitney and Detroit Sulphite Pulp & Paper has been challenged by the Justice Department and has been in & out of court for almost five years. The latest decision, in December, went against Scott but the company will appeal and president Thomas B. McCabe has "every confidence in

our ability to convince the court that the company is in the right."

Investors obviously share his confidence that Scott will continue its rapid growth despite occasional tears. Earlier this year the 8,000,000 shares of SPP reached an alltime high of 109½ on the Big Board and last week were trading at a still heady 105 compared to 1960's low of 71½.

TEXTILES

Stevens Style

SOME 200 stockholders of JP Stevens & Company Inc assembled in the second floor cafeteria of the Stevens Building at 41st and Broadway last fortnight for the company's 148th annual meeting.

After chairman JP (for John Peters) Stevens Jr dispensed with the formalities of electing directors, approving accountants and the like, Robert Ten Broeck Stevens rose to deliver his traditional president's message.

The news was not cheery. For the first (January) quarter of the current fiscal year Stevens netted only 42¢ a share or less than half the \$1.01 profit for the first 1960 quarter. Sales for the period were down 14% to \$98,200,000.

Remarked President Stevens: "Earnings were by no means satisfactory either as a return on invested capital or as a percentage of sales." However he added: "The pattern seems very much like 1958 [when Stevens earned only 35¢ a share the first quarter, ended with \$2.60 for the full year] in which there was a textile upturn in mid-

year. There is evidence history may repeat itself this year." At any rate he noted: "In a seasonal business like textiles the results of one or two quarters can be misleading—both on the upside as well as the downside."

This certainly proved true for fiscal 1960. Though Stevens started off with a bang with first quarter profits 54% ahead of the previous year, by midyear "it was perfectly evident the textile business was on the downgrade." Thus in the full October year Stevens profits eroded to \$15,300,000 or \$3.65 a share from the previous year's \$4.52 despite a 12% gain in sales to an alltime peak of \$513,000,000.

Despite the poor 1961 start Bob Stevens announced the company was aiming at a target of \$3 a share for the full year, "our average earnings over the past five years." However he stressed: "This is a goal, not a prediction. It will take a lot of doing but we will certainly go at it hammer & tong."

Import Woes

The weevil in the Stevens patch is imports (IR, February 15). Bob Stevens noted he had commented on the problem of imports as far back as five years ago and the situation "has grown steadily worse year by year." In fact last year imports of cotton goods exceeded 1 billion yards or about one-fourth of all cotton goods consumed in this country. "The competition does not come from Japan alone but from Hong Kong, India and Spain as well."

Stevens has been among the more

vocal members of the textile industry in clamoring for some relief. Says Bob Stevens: "We're continuously bringing it up before the Government." An old hand at Senate subcommittee hearings, Bob Stevens made his most recent appearance February 6 when he told the Textile unit of the Commerce Committee "I am not against foreign trade" but protested against "being called upon to pay a disproportionate share" of the price of maintaining trade "as an instrument of foreign policy."

Bob Stevens is somewhat encouraged by President Kennedy's appointment of a Cabinet level committee to study the problem. In addition he noted "there seems to be more interest in Congress now than there has been at any time in the past five years."

Home Grown Goods

On the promotion side Stevens in the past year has strongly stressed "home grown" products. Following up a suggestion from a stockholder at last year's annual meeting, Stevens ads now read "fine fabrics—made in America since 1813."

Nor has the company lagged on other efforts to better profits. In the past ten years it has spent more than \$100,000,000 to improve its plant. Last year's budget alone came to \$20,000,000, the bulk of which went into a new finishing mill at Wallace, SC. Stevens also completed a warehouse at Greenville, SC to handle raw cotton. Another plant at Rockingham, NC for worsted goods went into full production in June.

Stevens has also emphasized research. It "completely reorganized this department three and a half years ago and "we have several interesting discoveries in the works."

In fact, on the basis of its research Stevens teamed with Kimberly-Clark in Fall 1959 and organized Kimberly-Stevens Corp to explore the realm of nonwoven fabrics. K-S already makes hospital packs (paper gowns, aprons and the like) which are being marketed through American Hospital Supply. Bob Stevens notes K-S is making progress and "we will modestly expand our manufacturing facilities in 1961."

Strictly not slated for 1961 expansion is the \$1.50 annual dividend which has been in effect since 1956. At last year's meeting president Stevens had held out some hope the rate might be raised. And despite the subsequent downturn in business, some stockholders at this month's meeting voiced their annoyance that the hoped-for raise did not materialize.

But at least stockholders are not apt to face a downward adjustment. Lest they be apprehensive about the security of the present rate (and some of them were), chairman JPF determined: "I can't see any possibility of cutting the dividend unless business continues very bad and gets worse. And we don't anticipate that will happen."

Looking further ahead, president Bob pledged: "It is the determination of management when we do change the dividend it will be upward, not downward."

Fiber Vet Narrows Textile Dependence

**Celanese Diversifies
Further With
Chemicals and Plastics**

HHEADQUARTERS for the \$378,000,000-assets Celanese Corp is the ninth floor of a 1926 office building on the corner of Madison Ave and 34th Street, only a few blocks from Manhattan's busy garment district. The site was chosen deliberately for as recently as ten years ago the veteran fiber producer sold 86% of its output to the textile-apparel industry.

Today however thanks to an increased diversification into chemicals and plastics plus the development of new fiber markets Celanese no longer depends solely on the cyclical apparel market. Only 60% of total sales now come from the fiber division and even of these over one-third are in non-apparel lines. In keeping with this new look the company later this year will move its headquarters to 44th Street and Fifth Avenue.

Founded in 1918 by chemists Camille & Henry Dreyfus, Celanese was first known as American Cellulose & Chemical Manufacturers Company. As such it was one of the pioneers in what is now known as polymer chemistry. Polymers are large molecules whose useful qualities include high physical strength. The Dreyfus brothers learned how to react cellulose (a natural polymer) with acetyls to form a new polymer, cellulose acetate. By extruding viscous solutions of cellulose acetate through tiny holes into warm air,

they then developed one of the first man-made fibers and Celanese's first big product, acetate filament yarn with its "artificial silk" characteristics.

In 1924 the company began acetate production in Cumberland, Md and sales for the first full year came to \$1,600,000. By 1950 Celanese sales boomed to \$232,000,000. Earnings reached \$40,300,000 or \$5.11 a share, a peak Celanese has yet to approach again. Then sharp competition from the new synthetics and shifts in apparel styles cut sales which by 1954 had plummeted all the way to \$147,600,000 while profits skidded to a ten-year low of \$6,500,000 (26¢ a share).

To the rescue came Celanese re-
Celcon heels solve breaking problem



search and polymer technology which executive vice president James R Kennedy last week credited as "the basis of all Celanese growth." In depressed 1954 Celanese introduced Arnel, a triacetate fiber which was to become one of its biggest fibers. Though different in chemical structure from acetate, Arnel fortunately involved little change in production techniques and hard-pressed Celanese could easily convert its excess acetate facilities.

At the same time Celanese began to reorganize its textile division, steamlined production and launched a vigorous promotion campaign. In addition the company's chemical and plastics operations were expanded.

Recovery Road

As a result both sales and profits began to recover in 1955. By 1959 sales had passed their previous peak, stood at a record \$265,240,000. Profits came to \$22,650,000 or \$2.44 a share, fourth-best in company history. In 1960 sales, despite the recession, were down only a shade to \$264,100,000. Profits however were off 12% to \$19,900,000 or \$2.07 a share. This is blamed on "developmental expenses undertaken to further diversify Celanese operations."

Celanese today gets 18% of its volume from chemicals v 6% in 1950. Plastics and polymers are up to 22% from 10% in 1950. Over half the company's current product line consists of items introduced in the past six years.

Throughout this period of change however Celanese has remained a highly integrated operation and its

many products are closely allied. Technical vp Robert Armstrong explains: "In our three areas of operation—chemicals, polymers and polymer conversion—there is one basic technology and few companies can match our breadth in it. If that unified technology lies the strength of Celanese." Celanese produces most of its basic chemical needs such as acetic acid, acrylates, vinyl acetate and formaldehyde used to make its polymers. Though it buys some heavy and some polymer chemicals, it produces its own cellulose at its Canadian pulp mill. The raw polymers are then processed or converted into fibers, films, molding powders, bottles, resins, etc. These semi-finished products, like those produced by duPont, Eastman Kodak, Union Carbide and Dow, are sold to consumer product manufacturers in the textile, plastics, packaging, paint, automotive and aircraft industries. Also about 75% of basic chemical and raw polymer output is sold to other processors.

With all its emphasis on new techniques and products the Celanese research budget comes to only \$6,000,000 for 1961 but the company states many product development programs are charged off to operations instead.

The greatest portion goes into basic chemical research fundamental to all operations. About a third is spent in actual polymer science, the rest on processes for polymer conversion.

Celanese research recently developed a new high-strength acetal copolymer plastic called Celcon, in-

roduced last month. The company estimates demand for Celcon-type plastics (duPont has a similar product called Delrin) at 200,000,000 pounds by 1970.

Celcon is characterized by a "unique combination of properties" including high strength, hardness, stiffness, dimensional stability, light weight and resistance to abrasion. It can be used for economical injection-molded, blow-molded and extruded products. Celanese predicts its greatest immediate use will be to replace metals, such as die-cast zinc, aluminum, brass, copper and steel. Potential markets may include machinery gears and bushings, business machine housings & components, communications equipment, appliances, packaging, pump housings and pipe and auto parts.

Another major Celanese development this year was the January announcement of manufacturing rights for acetyl chemicals by a new economical German process. The license was granted by Aldehyd GmbH, jointly owned by Farbwerke Hoechst and Wacker Chemie. A plant to use the process at Bay City, Texas is scheduled for production by March 1962.

The Bay City acetyl plant and a plant for Celcon at Bishop, Texas must about fill this year's capital expansion budget of \$26,000,000. Since 1955 Celanese has spent \$102,000,000, the bulk to enlarge and improve chemical and plastic facilities.

At the same time Celanese has not neglected its fiber business. In 1958 Celanese joined with Britain's Im-

perial Chemical Industries to form Fiber Industries Inc which is bringing to market a Dacron-competing polyester fiber called Fortrel (see page 23 for further details).

Another addition to the Celanese fiber line is Arnel 60, a high-strength triacetate fiber with "all the qualities of Arnel but with double strength." This means it can be woven into lighter fabrics.

Darvan Development

Celanese has yet another promising new fiber, Darvan, whose patents and production rights it acquired from Goodrich in 1959. Still in the development stage, Darvan is slated to compete for the wool and Orlon markets.

Celanese sells its products abroad as well as at home. The company has a minority interest in affiliated companies in Canada, Mexico, Colombia, Venezuela, Brazil and Japan. "While in general our policy is not to dominate in foreign operations this does not in any way preclude additional distribution of products and possibly some more manufacturing." Last year parent Celanese received \$1,335,000 (net) in dividends from foreign interests.

So far this year Celanese reports overall operations are "off—everything is off, fibers as well as plastics" from the same time a year ago. But the company hopes for a general upturn by June. As if in response, the company's 7,334,000 shares of common now trade on the Big Board at 31, up ten points from the 1960 low. Even so this is still far below the record high of 46 $\frac{5}{8}$ of more profitable 1951.

Far-Ranging British Chemical Colossus

Imperial Chemical Industries
Makes Everything
From Alkalis to Zippers

OUTSIDE the US the biggest chemical company in the world is Imperial Chemical Industries Ltd of Britain. In sales it is exceeded only by duPont and Union Carbide. It stands well ahead of the German big three—Farbenfabriken Bayer, Badische Anilin and Farbwerke Hoechst—and comes within 15% of matching the combined sales of this once-combined trio.

Imperial Chemical Industries operates over 100 factories in Britain, another 40 throughout the world. It employs more than 110,000 people in Britain alone where it produces some 12,000 products. Several affiliates are active in Canada and the US and more will be. Moreover its American Depositary Receipts are traded on the American Stock Exchange—thus regular write-ups are available in the stock manuals. But offsetting such claims to familiarity is the fact few of the company's many products are sold to the general public even in Britain and this behind-the-scenes quality prevails in other parts of the world.

Products range from heavy chemicals, fertilizers, explosives, paints and non-ferrous metals to fibers, drugs, dyes, plastics and zippers. It has the world rights to the polyester plastic & fiber Terylene—except for the US where the British discovery has been licensed to duPont for Dacron. Imperial Chemical claims credit for the discovery of polyethylene,

which is called polythene in Britain.

Sales for ICI (as it is universally known though its Amex ticker symbol is IMP) have risen steadily in recent years, reaching \$1.4 billion in 1959, compared with \$1.3 billion in 1958. Consolidated net income was \$140,700,000 or 55¢ a share vs \$83,400,000 or 34¢ a share in 1959 (a year of poor margins). In 1958 sales were only \$773,500,000, earnings 24¢ a share.

Full-year 1960 figures were still not available at presstime and—as is often the case with foreign companies—interim reports are sketchy. For the first half of last year, sales rose to \$806,400,000 from \$700,000,000. Group income (a figure not strictly comparable with “net income” above) was \$77,280,000 up from \$56,100,000.

Full Year Forecast

Commenting on the full year, director and chief financial man Peter Thomson Menzies says: “It’s not traditional for us to forecast. You can really talk yourself into troubles this way.” But he goes on to explain that ICI does about 2% of Britain’s total business and supplies almost every important British industry, so “you can always deduce the obvious: if business has been brisk for Britain, ICI is doing well also.”

ICI also does a brisk export trade (over one-fourth of total company volume in 1959). Exports which rose 19% in 1959 over 1958 (shipments to Europe jumped 35%) climbed another 15% in the first half. ICI plans to spend \$280,000,-

0000 over the next decade on plant facilities in the common market.

Imperial Chemical is the child of international competition and defense strategy, with Germany historically the reason for both problems. During War I while Britain depended on Chile for nitrates for her explosives, blockaded Germany had learned to make nitrates from the air by the Haber-Bosch process. Britain realized it too had to reduce foreign dependence.

Also after War I the German chemical industry's growth—coupled with that of the US—put pressure on Britain to retain and broaden her position as supplier of chemicals to the Commonwealth. Thus in 1926 ICI was formed from the merger of four leading British chemical companies: British Dyestuffs Corp; Brunner, Mond & Company; Nobel Industries and United Alkali Company. States a company history: "The aim * * * was not to control markets and prices but to provide an efficient, stable and large-scale organization capable of meeting its powerful competitors on equal terms in world markets."

One of the proud results of this union was the production in 1939 of polyethylene in sizable quantities (it was discovered in 1933) just in time to be a vital insulator in radar equipment.

Imperial Chemical has eleven manufacturing divisions and plants which span the United Kingdom from South Wales to Scotland.

One heavy group—in fact one of the largest in the chemical world—is near the mouth of the river Tees

on the northeast coast. Near the town of Billingham is located the huge Billingham Division (largest in ICI) with almost 17,000 employees. Nine miles away is the Wilton Works with 4,800 employees.

The 1,000-acre Billingham site specializes in agricultural chemicals whose key compound is ammonia. The principal raw materials are air (for nitrogen), water, coal, oil and the mineral anhydrite. The latter is almost as handy as the first two since the factory, by no coincidence, perches atop an anhydrite mine. The ammonia is used for sulphate of ammonia and other nitrogenous fertilizers. These form more than half of the division's output of 2,500,000 tons of chemical products a year.

The Wilton Works has as its heart the oil cracking process. From the olefins thus produced, it turns

British fishermen use Terylene net



out Alkathene (ICI's tradename for polyethylene), Perspex, a clear acrylic plastic, and Terylene. Imperial Chemical has spent over \$300,000,000 at Wilton since War II. In a similar oil-based venture at Severnside near Bristol it expects to spend another \$280,000,000 by the mid-Seventies.

The Billingham and Wilton sites house within them another ICI division, Heavy Organic Chemicals, which produces large-tonnage chemicals.

Western Grouping

An even larger though more dispersed grouping of ICI divisions is to be found in the West in the Liverpool-Manchester region. Biggest unit is the Dyestuffs Division with headquarters in Manchester. It employs nearly 15,000 who turn out some 6,000 products including not only dyes but such products as textile finishing agents, synthetic resins for paints and nylon polymer.

About 30 miles distant at Liverpool is the 13,400-employee General Chemicals Division which specializes in chlorine, fluorine and sodium compounds. An important fluorine product is Fluothane, a new anaesthetic. The division has recently begun production of silicon for use in semiconductors and of acrylonitrile for synthetic fibers and oil-resisting synthetic rubbers.

Nearby is ICI's Alkali Division which employs 11,250. It is a major exporter and together with other parts of ICI turns out one-eighth of all the alkali consumed in the world outside the Soviet bloc. Major products include soda

ash, caustic soda, bicarbonate soda, soda crystals, sodium silicate lime and limestone. These are important in making glass, soap, rayon, paper, chemicals and textiles.

Not far away in Wilmslow is the ICI Pharmaceuticals Division. Quite small by ICI standards, it employs only 1,500. Among its prominent ethical products are Paludrine (against malaria) and a new derivative Lapudrine; Mysoline for control of epilepsy; Etisul for treatment of leprosy.

The rest of the ICI complex is spread liberally over the British landscape. Biggest unit away from the two main clusters is the Metals Division—a division not commonly found in the international chemical giants. Based in Birmingham, it employs 14,300 and is one of the largest producers of rolled copper and brass sheet, strip, extruded rods and sections and drawn wire in the Commonwealth. Alert to the new look in metals, the division produces titanium, zirconium and beryllium.

North of the border in Glasgow are the headquarters of the Nobel Division. Predecessor British Dynamite Company in 1873 was the first in Britain to manufacture dynamite, invented by Swedish scientist Alfred Nobel. Now the 9,700 employees of the Nobel Division produce explosives for mining, tunneling, excavation, seismic prospecting for oil.

An outgrowth of the Nobel Division is the Paints Division located at Slough, about 40 miles west of London and employing 5,700. Besides paints the division makes plastic-coated fabrics.

The two ICI divisions where new things can happen fastest are Plastics and Fibres. The Plastics Division is the largest plastics manufacturer in the Commonwealth and ICI's largest exporter. A new division product is Propathene, a polypropylene plastic which boasts extra rigidity and temperature resistance.

The Fibres Division produces large quantities of Terylene for textiles. With an additional plant at the Wilton Works now on stream, ICI's Terylene capacity is up to 50,000,000 pounds a year. ICI has an equal interest with Celanese Corp (see page 17) in Fiber Industries Inc whose new Shelby, NC plant was ready last Summer. With the underlying patents expiring, Fiber will be free to challenge duPont's Dacron, Eastman Kodak's Kodel and Beaunit Mills' Vycron in the US market with its Fortrel.

The joint operation shows another of the many facets of ICI supplementing its divisions. The company not only has important subsidiaries at home and abroad but also numerous joint ventures, license agreements and the like.

Last August ICI obtained its license from Montecatini to produce polypropylene fiber at a new 10,000-ton-a-year plant at the Wilton Works. Recently ICI itself granted a license to American Cyanamid for production of methylmethacrylate, the clear acrylic plastic which ICI calls Perspex.

ICI has entered a joint venture with two Danish companies to produce polyolefins, with Alkathene to be the first product. In Argentina,

ICI's subsidiary is building a polyethylene plant and plans a polyester one. Domestically ICI has a long-standing equal interest with Courtaulds in British Nylon Spinners.

Prior to a recent 1-for-20 rights offering, ICI had 246,209,000 shares of one pound par value outstanding. The offering, which adds around 35,000,000 shares, was not extended to US shareholders so Morgan Guaranty Trust, the depository for the American shares, is selling the rights received in Britain and will pass the proceeds (9½¢ a share) on pro rata to the US holders.

Dividend Data

ICI has paid some cash dividend every year since 1927, its first full year. The 1960 payment was 21.6¢ a US share, net of British taxes, as against 13.6¢ the year before. The company has announced its intention to maintain the higher rate on the increased number of shares. The American Depositary Receipts of the company are selling close to the alltime high of 10⅛ on the Amex where they have had unlisted trading privileges since 1928—making it one of the graybeards among foreign stocks traded in the US. There are about 2,000,000 ADRs outstanding, each equal to one £1 ordinary share.

The US shares are held by about 5,300 holders. But they are part of the largest shareholder family of any British company. In fact, proving that People's Capitalism can flourish on both sides of the Atlantic, ICI's 360,000 stockholders readily outnumber duPont's 208,000.



The scene at right is one which Diamond Alkali Company hopes will come to life many times this Spring. The shorts-clad suburban gardener is spreading Diamond Alkali's new crabgrass killer Dacthal which the Cleveland-based chemical producer claims is "the most effective commercial chemical for crabgrass control yet developed." Introduced early last year the new killer is marketed by Swift & Company under the brand name Rid. Swift recently moved Rid's retail price from \$5.95 to \$8.95 for a bag sufficient to cover a 2,500 square foot area but this is still a dollar cheaper than OM Scott's competing Halt.

Though Dacthal was but a small part of Diamond Alkali's 1960 sales of \$138,300,000 treasurer William A Crichley is confident it "will grow." He notes it "has been well received and is doing very well." In addition to Rid, Swift is using Dacthal as an ingredient in its fertilizer Vitagro (Vigoro plus Dacthal). Diamond field-tested Dacthal for agricultural use for two years, seeks a Government OKay for use on cotton, tobacco and soybean crops. But Bill Crichley cautions "approval could take another two years."

Once solely a basic chemical producer (chlorine, alkalis, etc) Diamond Alkali has branched into faster growing lines such as chromium chemicals, silicates, chlorinated products and plastics. At the same time the company has increased its emphasis on research. Late last year Diamond—known as DIA on the Big Board—finished the first stages of a \$4,000,000 research center near Painesville, Ohio. Moreover the research budget has climbed from less than a million in 1952 to \$4,000,000 in 1960, "will probably be up another 10% this year." Promising areas are chlorinated xylenes and new polymers but executive Crichley declares "there is nothing I can tell you about today."

The \$143,000,000-assets company sells its products to hundreds of industries including chemicals, agriculture, plastics, soap, building materials, metals, paper, petroleum. Last year about half of Diamond's sales came from alkalis, chromium chemicals and silicates; one-fourth from plastics and chlorinated products; 16% from chlorine and by-products and the remainder mostly from cement and coke. Thanks to a big demand for many of its products, DIA countered the recession and was one of only a handful of chemical companies to score both record sales and profits last year. While results were "not up to earlier expectations" due to a slowdown in

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the second half, earnings for the year rose to \$11,740,000 or \$3.87 a share v \$3.79 (adjusted for a 3% stock dividend) on a 3% gain in volume.

Diamond's 3,000,000 shares trade around 66, four points below the alltime high posted earlier this year and 16 points above the 1960 low. Despite the advance, DIA sells at a relatively modest (for a chemical company) 17 times earnings.

A good part of the Diamond Alkali sparkle comes from large-scale ex-

pansion as well as "upgrading" chemical lines. Since War II capital expenditures have totaled a fat \$178,000-000, "much of which went into chlorine and caustic soda facilities." This year's budget is "around \$18-to-20,000,000," up from \$15,000,000 in 1960. It includes two plants at Deer Park outside Houston. When finished in early 1962, one will manufacture acetylene, the other, ammonia. Both are new products for DIA. Meantime the company's polyvinyl chloride facility at Deer Park has just been expanded by 50%.

Along with the rest of the industry last year DIA suffered price weaknesses in two areas—plastics and chlorinated products. But prices have held firm in the last three months. This is "a good sign" to Bill Crichley. "There was a little upturn in demand in March" but Diamond Alkali's 15 plants are

running at "no more than 75% capacity" compared to an average 83% last year. Treasurer Crichley feels "unless the economy turns up substantially in the second half we expect earnings this year to be down a little bit from 1960." Thus he does "not look for an increase" in the 45¢ quarterly dividend. And "it's awfully early in the year to predict" whether the 3% year-end stock dividend paid in both 1959 and 1960 will be repeated. For the longer period however "we are still very bullish."



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UNCHANGING CHANGE

Emerson referred to coal as "portable climate." Nowadays there are other portable climates, too, and science is well on the way to creating and controlling the earth's climate.

But regardless of future scientific achievements, we doubt that anyone or anything will ever control the climate of the stock market. The market will always be subject to ups and downs simply because it will always express the varied opinions of investors, buying what they think will be profitable and selling what they think will be unprofitable.

This thought pleases us immensely. We have tremendous respect for scientists, and in fact we'd have a great deal of difficulty receiving and processing each day's orders if it were not for their electronic ingenuity. But we like to think that some part of life will remain beyond control and predictability.

We'll eat capsulated meals if we must, and wear disposable paper clothes in the ready-made climate to come. But at heart we're invincibly old-fashioned, and we're pleased to think that the differences of opinion that make the stock market will go on and on.

Vive les differences! we say.

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